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TRIBULATIONS OF THE AMERICAN DOLLAR.

DURING the four fiscal years next preceding the years of active war for the Union, closing June 30, 1861, our national expenditures amounted to \$272,000,000—a yearly average of \$68,000,000.* Our net revenue during those years was \$197,000,000, averaging about \$50,000,000 a year. The excess of expenditures over receipts for the term was \$75,000,000. This deficiency was probably enlarged some \$15,000,000, by loss of revenue and increase of expenses incident to the beginning of the war.

The expenses paid during the four fiscal years covering the period of active war, closing June 30, 1865, amounted to \$3,352,000,000, a yearly average of \$838,000,000. The revenue during this term was \$736,000,000, averaging \$190,000,000 a year, and the excess of expenditures over receipts was \$2,589,000,000. The expenditures for the last of these years were \$1,297,000,000, and the deficiency was \$963,000,000. The expenses paid during the war by no account cover the cost of the rebellion, which exceeded \$6,000,000,000.

Yet the highest point at any time reached by our liquidated national debt was \$2,844,000,000, on the 31st day of August, 1865, which sum may be considered reduced to \$2,756,000,000 by cash then in the Treasury. The total debt, less cash on hand, July 1, 1883, was \$1,538,000,000, a reduction of \$1,218,000,000 in eighteen years, and an average of \$67,000,000 a year.

The total interest-bearing debt on the 31st day of August, 1865, was \$2,381,000,000, which was reduced to \$1,338,000,000, July 1, 1883. In 1865, \$830,000,000 bore interest at the rate of 7 $\frac{3}{10}$ per cent., \$1,282,000,000 at 6 per cent., and \$269,000,000 at

* Statements will be principally in round numbers; and years referred to will be fiscal years closing June 30.

5 per cent., per annum. Now, \$250,000,000 carries interest at 4½ per cent., \$738,000,000 at 4 per cent., \$32,000,000 at 3½ per cent., and \$318,000,000 at 3 per cent., per annum. The annual interest charge in 1865 was \$151,000,000 — \$4.29 per capita. It is now \$51,000,000 — only 95 cents per capita.* The total amount of interest paid during these eighteen years is \$1,948,000,000, averaging \$108,000,000 a year. The total revenue for this period was \$6,488,000, averaging \$360,000,000 a year. The largest annual revenue was \$558,000,000, collected in 1866, when the burden of war taxes was unabated, and the lowest \$257,000,000, in 1878, when the crisis of 1873 had spent its force. Of this vast income, \$3,191,000,000 was derived from customs duties, \$2,718,000,000 from internal revenue, and \$579,000,000 from all other sources. The annual average from customs is \$177,000,000, from internal revenue \$151,000,000, and \$32,000,000 from other sources.

The total ordinary expenditures, including interest on the public debt, for the same period, were \$5,358,000,000, which was distributed as follows:

Interest on public debt.....	\$1,948,000,000
War Department.....	1,158,000,000
Navy Department.....	384,000,000
Pensions	620,000,000
Indians	110,000,000
Premiums on loans, etc	61,000,000
Civil and Miscellaneous	1,077,000,000

The burden of public debt upon the principal nations of the world, during this generation, has been unprecedented in all the centuries of the past. The aggregate debt of the nations of the world is now about \$25,000,000,000. While the principal of our debt was never so high as that of France or Great Britain, and is now exceeded by that of Austria-Hungary, Great Britain, Italy, Russia, and Spain, the annual interest charge upon ours, at its highest, was greater than upon that of any other people. Nevertheless, in addition to paying interest at the rate of \$108,000,000 a year, we have reduced the capital at the rate of \$67,000,000 annually, since the close of the war for the Union.

And this has been done, for the most part, after very great reductions in internal taxes and customs duties. At the close of

* The Government actuary estimated our population at 54,163,000, July 1, 1883.

the war, our internal taxes fell heavily upon capital and industry in every form, and these, added to those levied under State laws for purposes of local government, imposed a burden upon the people which was a severe test of their patriotism and heroic endurance. Happily, a controlling popular majority proved constant to an administration of our national affairs which insisted upon an honest and prompt payment of our public debt and the financial honor and good faith of the Republic have thus far been firmly maintained.

I regard the history of this epoch as the best evidence thus far recorded in our national life, in favor of popular government. And the credit for these achievements does not belong solely to a political party. It is the rightful possession of a law-abiding as well as law-making people, and it is the legitimate inheritance of all who shall come after us who shall endeavor to secure the welfare, to preserve the good name, and to advance the glory of the Republic.

In 1868, while the burden of war taxes was still very onerous upon our people, a great political party declared that, "where the obligations of the Government do not expressly state, upon their face, or the law under which they were issued does not provide that they shall be paid in coin, they ought, in right and justice, to be paid in the lawful money of the United States." By "lawful money" was meant United States legal-tender notes, of which the value in gold in New York averaged, during that year, seventy-one cents on the dollar. The "obligations of the Government" then outstanding, embraced in this declaration, exceeded \$2,000,000,000.

The Republican platform upon which General Grant was elected President that year, contained the following declaration: "We denounce all forms of repudiation as a national crime; and the national honor requires the payment of the public indebtedness in the utmost good faith to all creditors at home and abroad, not only according to the letter, but the spirit of the laws under which it was contracted." In keeping with this declaration, the first law enacted after the inauguration of President Grant provided "that the faith of the United States is solemnly pledged to the payment, in coin or its equivalent, of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States, except in cases where the

law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money or other currency than gold and silver."

This authoritative action of Government practically settled all doubts as to the faithful payment of our public debt, and it measures a great stride toward the complete establishment of the public credit on that firm and enduring basis which has enabled us to refund the public debt, at a rate of interest far below that anticipated by the most sagacious and hopeful of our countrymen. It also settled our policy, so far as precedent action could, in favor of a prompt resumption of specie payments. But it went no further than to pledge the faith of the nation "to make provision at the earliest practicable period for the redemption of the United States notes in coin."

The interest-bearing debt of the nation was yet (July 1, 1868) \$2,200,000,000, some of it still bearing interest at the rate of $7\frac{3}{16}$ per cent., and more than three-fourths of it at 6 per cent. per annum. Clearly, our first duty was to provide for matured currency obligations, and these were rapidly paid off.

The Presidential election of 1872 came and passed, and still nothing further was done toward resumption of specie payments. But the Democratic party had taken "a new departure" and accepted an honest man upon a platform which declared for public honesty, for its candidate, and both of the great parties stood pledged to a "speedy" resumption of specie payments. Again General Grant was elected President and the Republican administration continued faithful to the policy of honest payment of the debt, which had been reduced nearly at the rate of \$100,000,000 a year during the previous years of his administration.

Still the means for resumption had not been provided, nor had any method of securing them been prescribed by law. Then came the financial crisis of 1873, when this nation bitterly experienced, if it did not fully realize, the evil consequences which inevitably follow the establishment of an irredeemable paper currency. Here was a great commercial people, with vast natural resources, with agriculture widely and highly advanced, with home manufactures largely developed, with a wonderful system of internal commerce and transportation in complete operation, suddenly precipitated into unutterable financial confusion and commercial civil war. Some had foreseen the trouble

and given timely warning against it, and now all thoughtful and patriotic citizens began to inquire into the causes of it and to endeavor to devise the proper remedy for it.

Most of the banks at the North had patriotically handed all their gold to the Government before the close of the year 1861, and were compelled to suspend specie payments. The Government practically suspended when it began the issue of legal tender notes, without a fixed time of payment, early in 1862. Immediately, gold, which was practically the only specie then in the country, disappeared from the channels of business, and it rose to 134 in our currency by the close of that year. Its highest point was reached in July, 1864, when it sold for 285, and a dollar of our currency was worth but thirty-five cents. Yet this currency was a legal tender in payment of private obligations, dollar for dollar, although the consideration may have been the actual delivery of specie dollars.

When the crisis came upon us, our currency dollar was worth in gold about the same that our silver dollar now is, eighty-five cents. We had, since the war, been very busy, as a people, raising wheat and corn, digging coal, making iron and steel, building railroads and producing and manufacturing nearly all things needful for the use of man. We had annually paid over \$200,000,000, on the interest and principal of our public debt; we had disbursed very large sums for pensions, bounty, and back pay, to the returned veterans of the war, their widows and orphans; we had estimated our national wealth, by the census of 1870, at \$32,000,000,000 — double the estimate for 1860; and yet we suddenly found ourselves in the midst of hard times, with poverty and distress in every community.

We now began to realize that a dependent people cannot be an independent nation. We found that we had imported, during and since the war, over five thousand two hundred million dollars' worth of merchandise, and exported nearly one thousand two hundred millions less; that we had exported over seven hundred million dollars more of gold and silver coin and bullion than we had imported; that loans by banks had more than doubled; that the aggregate debts of principal cities and towns had increased threefold; that our railways had extended from thirty to seventy thousand miles; that the liabilities of insolvents had risen from fifty-three million dollars in 1866 to two hundred and twenty-eight millions in 1873; and that the

burden of private debt, increased by rates of interest, was so onerous that a period of general bankruptcy among the business men of small means throughout the country was inevitable.

These forebodings were not too deep-colored. The market value of property rapidly shrank, in many instances, to half its estimated worth. Rents often fell in like proportion, and vacant tenements multiplied rapidly in city, town, and country. The great manufacturing and mining industries were paralyzed, and operatives were on short work at greatly reduced wages. Manufactures—of iron, steel, textiles—and products of mines rapidly accumulated upon an already overstocked market, and prices went so low that the most sagacious and enterprising operators were often compelled to close their establishments, or run into bankruptcy under the weight of accumulated losses. Multitudes of men willing to work could get no employment. Idleness and vagabondage and crime crept in where industry and thrift and laudable ambition had formerly reigned supreme. Great business enterprises, projected or begun, were abandoned or feebly prosecuted. Railway depots and passenger coaches were comparatively deserted; the thunder of the great freight trains which had so continuously reverberated along our principal thoroughfares of transportation was now rarely heard, and the incomes of railways were reduced below a permanently living profit. In short, this richly endowed and energetic people which had, within a century of its independence, achieved a high place among the foremost nations of the world, in the ability to accumulate wealth, was so crippled and prostrated in the exercise of its powers that its splendid annual income was very materially reduced.

Such was the situation when the Government, under the administration of President Grant in his second term, was confronted with its pledge to resume specie payments. Our surplus revenue, which had repeatedly exceeded \$100,000,000 in former years, was reduced to \$2,344,000 in 1874. Popular complaints were loud and bitter, and political demagogues were aggressive and defiant. The Congressional elections of that year put the House of Representatives under Democratic control, but the old Congress held over to the following March. The Democratic party stood pledged by its platform of 1872 to a "speedy" resumption of specie payments; but its representatives in Congress generally opposed all efforts to provide for it. Nevertheless

the administration party pressed the question to an issue in Congress, and the Resumption act became a law on the 14th of January, 1875.

It provided for the coinage of subsidiary silver money to take the place of fractional paper currency and removed the mint charge for coinage of gold. It made the national banking system free, and required the redemption of United States legal tender notes at the rate of 80 per cent. of the amount of national bank currency thereafter issued, so long as the aggregate of such notes should exceed \$300,000,000. It directed that the legal tender notes should be redeemed "in coin" on presentation at the Treasury, on and after January 1, 1879, and it provided for the sale of bonds for the accumulation of coin with which to redeem them.

In 1876 the Republican party declared in favor of "a continuous and steady progress to specie payments." The Democratic party denounced the resumption clause of the act of 1875, and demanded its repeal. The Greenback party, which now appeared for the first time on the stage of national politics, declared for the "immediate and unconditional repeal" of the whole act. Mr. Hayes was elected President, but the Democratic party again carried the House of Representatives. Congress was convened in extra session in October, 1877, and the House very soon passed a bill for a repeal of the resumption law. Gold was then only 103 in currency. The Senate, which was still Republican by a slender majority, refused to agree to it, and the Government steadily pursued its way toward resumption by accumulation of coin in the Treasury.

In the meantime the people had learned that the way to permanent and substantial prosperity lay through a strict observance of public and private economy, which must precede a return of active and profitable industry. We had been living and doing business on inflated borrowed capital until the interest had devoured our available means and mortgaged our unrealized profits. We had run in debt abroad for merchandise nearly \$100,000,000 a year from the close of the war to the year of the crisis. Thenceforth we stopped buying what we could not afford to use and pay for, and began to make and produce only what we could sell or afford to use or consume. The balance of trade turned rapidly in our favor. It averaged nearly \$100,000,000 a year by 1878, and was \$257,000,000 that year. Gold, which was

114 in 1875, when the Resumption act was passed, was less than one per cent. above par when Congress met in December, 1878. Still there was loud clamor in Congress for repeal of that law. It was not repealed, and it went into effect on the first of January, 1879, without stringency in the money market or stress in business. Then, for the first time in seventeen years, all our dollars were current, and practically equivalent in business throughout the land.

But the tribulations of our dollar were not at an end, nor will they be so long as we shall have dollars of unequal commercial value in circulation. They must be equal and interchangeable not only in our own country, but throughout the commercial world. The annual reports are not yet within reach, but the coin and currency now in the country may be stated as follows:

Gold coin	\$545,000,000
Silver coin	235,000,000
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Total coin	\$780,000,000
Legal-tender notes	\$346,681,016
National bank notes	350,000,000
Gold certificates	82,000,000
Silver certificates	94,000,000
Fractional currency	7,000,000
<hr/>	
Total paper currency	\$879,681,016
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Total coin and currency	\$1,659,681,016

Deducting Treasury funds held for redemption purposes, we now probably have about \$1,400,000,000 coin and currency subject to the demands of trade and commerce. This is about three and one-half times as much as there was in 1860, and twice as much as in 1873. In 1860, full one half was coin, and the balance paper convertible into coin. In 1873 all was paper, not convertible, and now about one half is coin and the balance paper, directly or indirectly convertible into coin.

What is this "coin"? Here is the rub. And it is a question which "will not down," and cannot be evaded by specious arguments, based upon the fact of domestic equivalency. We had domestic equivalency of paper dollars throughout the seventeen years' reign of inconvertible paper money, but that currency would not discharge our foreign balances, and we exported

\$850,000,000 in gold and silver to pay them—exceeding \$1,000,000,000 of our currency, at the average currency price of gold (127½) during that period.

Specie payments cannot be maintained in any country without a certain quantity of specie proportionate to its commercial activity and importance. What that quantity may be is mere matter of speculation, because the human mind cannot grasp, group, and properly estimate all the causes affecting it. Therefore, it may be regarded as an unknown quantity. But when the minimum is reached that fact is known, for the specie is not forthcoming, and payments in specie stop. This is a dread calamity, generally caused by unwise governmental interference with natural commercial relations.

It is maintained by some writers that in bi-metallic countries this necessary minimum of specie may be wholly of silver, even when overvalued in its coinage. I think not. If so, we might continue the coinage of silver at the present rate for at least twenty years without suspension of gold payments, saying nothing of the growth of the country, which, in this view, would carry it much further. To my mind, the maintenance of specie payments in gold depends upon the stock of gold, as compared with the quantity of currency which must be redeemed in gold. A depreciated silver coinage must itself be redeemable in gold, or the unit value of specie redemption must sink to that of silver. Therefore, gold, in addition to meeting all other demands upon it, must compose a sufficient quantity of the minimum specie fund to insure convertibility of silver into gold. Hence, gold is the essential foundation of our whole monetary structure, and, if that be undermined, the apparently magnificent temple of our currency system will fall.

Whenever our silver coinage shall exceed the amount which will circulate at par with gold, the latter will inevitably disappear from our circulation. Immediately thereafter, gold, having thus become an undervalued commodity, will be rapidly exported. Should the balance of trade turn against us before the maximum of silver circulation at par with gold is reached, gold will be exported to meet it. In either case, therefore, I conclude we must rapidly descend to the silver unit as our standard of value, unless, in the latter, the balance of trade should turn again in our favor before our stock of gold is reduced to the point at which our silver coin will not circulate at par with it.

If these conclusions are just, it follows that our ability to maintain specie payments in gold, and in depreciated silver at par with gold, depends not only upon the amount of paper currency issued, but upon the relative quantities of gold and silver money in circulation. If our gold and silver dollars were of equal value throughout the commercial world, neither kind could become excessive in quantity. The ebb and flow of international commerce would regulate the quantity of specie precisely according to the demands of our internal industry and trade. But, with an overvaluation of about 15 per cent. in our silver coinage, the draft of foreign trade is all upon gold, or upon silver as bullion, at its gold valuation. Hence our silver coinage bears none of the stress of foreign trade. It occupies precisely the same relation to it that legal-tender notes did during the suspension of specie payments. There is, however, a difference in these respects: Our silver coins have a certain intrinsic value, measured by the price of silver bullion in gold, while the value of legal-tender notes depended entirely upon the financial ability and good faith of the Government.

Though the legal-tender notes have now been redeemable in coin nearly five years, they are still outstanding, and they have an important bearing upon the silver coinage question. They were payable in the dollars known to the law when they were issued. These dollars were, by the act of 1837, defined to be, of gold $25\frac{8}{10}$ grains, or of silver, $412\frac{1}{2}$ grains, nine-tenths fine. The Supreme Court so held before the resumption act was passed. But in 1873 the coinage of silver dollars was suspended, and the gold dollar was declared to be "the unit of value." When this was done, the silver dollar was worth 103 in gold. The act of 1875 required them to be redeemed, "in coin," on and after January 1, 1879. The silver dollar was then slightly below par in gold. The coinage of silver was resumed in 1878, and when resumption day came, we again had both a gold and silver unit of coinage, and the silver dollar was worth about ninety cents in gold.

It is claimed by some that the Government may rightfully discharge its coin obligations, whether legal tenders or bonds, by payment in gold or silver coin, at its own option. There should be no room for honest difference of opinion upon a question of such importance. Certainly it should not be left to Executive discretion. Thus far, through the trying financial

ordeal brought upon us by the slaveholders' rebellion, the administration of our national financiers has been without technical denial or evasion of the nation's equitable obligations. We cannot now afford to clip our own coin and force it upon our creditors. Nor do I believe we shall.

Our plain, imperative, and instant duty is to settle—to settle at once and for all—the question, What is the dollar of the United States? In the view I take of the equitable and moral obligations of the nation, it should be the standard gold dollar. This is at once national honesty and the best financial policy. That is still “the unit of value,” by the act of 1873, and it has in fact been our standard since its quantum of gold was fixed by the act of 1834. Silver was so undervalued by the latter act that the few silver dollars coined under it were no sooner coined than exported, and gold became the exclusive specie currency of the country, excepting what minor silver coins were indispensable as “the small change of business.” Even these were rapidly exported, and in 1853 Congress reduced their standard to 384 grains, to keep them at home for this purpose. President Jefferson suspended the coinage of silver dollars in 1803. Not one was coined thereafter prior to the change of standard in 1834. During that period our mint standard was 15 to 1, while the commercial standard was over 15½ to 1. Every administration, for thirty years, maintained the gold standard, and this when it was our highest unit of value. From the establishment of the mint in 1792 to the suspension of their coinage in 1873, only about 8,000,000 standard silver dollars were coined. Our coinage of gold amounted to \$780,000,000 during the same time. Thus far, since the resumption of silver coinage, silver has been maintained at par with gold in our circulation. Therefore, gold has practically been the standard of our specie circulation throughout our national history. It is the standard throughout the commercial world to-day. Every consideration of justice, honesty, and good policy, demands that we shall maintain it in this country.

How far the coinage of depreciated silver may safely proceed, with this end in view, is a question of high importance. The maximum of silver circulation, at par with gold, may suddenly be reached, either by increase of silver coinage or decrease of gold in circulation. Thus far, our stock of gold has increased far more rapidly since the resumption of silver coinage than that of silver. The gold value of our annual product of each metal has

not been far from equal during this time. While the imports of gold have been in excess of the exports each year, and largely so for the whole period, the exports of silver have exceeded the imports each year.

The account stands as follows:

<i>Year.</i>	<i>Gold. Excess Imports.</i>	<i>Silver. Excess Exports.</i>	<i>Gold and Silver. Excess Imports+. Excess Exports—.</i>
1878.....	\$4,125,760	\$8,044,571	\$3,918,811—
1879.....	1,037,334	5,738,775	4,701,441—
1880.....	77,119,371	1,227,980	75,891,391+
1881.....	97,466,127	6,297,477	91,168,650+
1882.....	1,789,174	8,734,263	6,945,089—
1883.....	6,133,261	9,464,203	3,330,942—
Total.....	\$187,671,027	\$39,507,269	\$148,163,758

This great influx of gold, increased as it probably has been by \$50,000,000, brought in by immigrants, and augmented by our total production during this period (fully \$200,000,000), has, in all probability, averted for the time being the disaster which might otherwise have resulted from an excessive coinage of cheap silver money.

The table shows the movement of precious metals during the last six fiscal years. Thus far, since the close of the last fiscal year, it has been more favorable to us than it was the year before, for the same months. But there is apparently a feverish excitement and uncertainty in the present business situation. A short crop of our great agricultural staples does not readily find a profitable market. Railroad building has fallen off the present year, and is likely to be less active henceforth. This, together with the recent reduction in tariff duties, has seriously affected the manufacture of iron and steel and the mining industries so largely dependent upon them; and failures and suspension or reduction of business in these lines foreshadow a large reduction of wages and want of opportunity to work for a very numerous class of our laborers and artisans. Low wages and forced idleness for them involve the necessity for the most economical living, and tend to the accumulation of large stocks, and to the prevalence of low prices for other manufactures and for agricultural products, the sale and price of which depend most largely upon home consumption.

Bank loans more than doubled from 1830 to 1837, nearly doubled from 1850 to 1857, rose from \$487,000,000 in 1865, to

\$944,000,000 in 1873, and a crisis followed the maximum figures in each case. They sank to \$834,000,000 in 1878, and have now risen above \$1,300,000,000. The crisis of 1873 was, to my mind, more largely the effect of a vastly inflated system of public and private credit, than of all other causes combined. Since we recovered from that reverse, we have enjoyed a very remarkable period of industrial activity and financial prosperity. If this can be permanently prolonged, we shall rapidly approach the time when the commercial center of the world will be transferred from London to New York. But the march of commercial empire is often impeded by obstacles which sternly test the strength and endurance of its forces. To overcome all foreign obstacles which lie in its path is a truly imperial exercise for this Republic, and to foresee and avert all domestic impediments is wise republican statesmanship.

It is a good time in prosperity to prepare for adversity. Whether it comes soon or late, it is best to prepare for a reverse in our foreign trade. We cannot expect the flow of the precious metals to be constantly toward us. It is very likely to be outward for the current fiscal year. In such an event, the strength of our monetary system will, for the first time since the resumption of specie payments, be fully tested. When the stress of an adverse balance of trade shall be upon gold, the draft of the whole volume of our silver and paper currency will be added to it, if we are to maintain payments in gold. We have seen that our volume of paper currency alone amounts to \$879,000,000. Add the silver, and we find our gold subject to a domestic draft of \$1,114,000,000. Our gold coin and bullion, on the first of November last, amounted to \$580,000,000. Should the balance of trade turn and continue largely against us, in my judgment this is not a sufficient supply to enable us to maintain gold payments. A depreciated silver coinage will not help us much, in such an emergency, unless we promptly declare our purpose to make it good in gold, and proceed to secure the means to do so. This would require an accumulation of gold, in addition to that already in the Treasury, sufficient to make silver dollars convertible into gold, at the will of the holder. And it would not be burdensome upon the Government to do this; for we have the difference between the cost of the bullion and the tale value of the coin in the Treasury. And this would, in my opinion, do much more to maintain the bi-metallic standard than a further

continuance of silver coinage can do without such a pledge on the part of the Government.

When the conference of 1881 failed to agree to an international standard, I thought we ought ourselves immediately to suspend the coinage of silver dollars. The subject now demands the prompt and careful consideration of Congress; and the financial signs of the times admonish us, at the least, judiciously to vest a discretionary power of suspension in the Secretary of the Treasury.

The recent financial and industrial achievements of this Republic have placed her high among the wealthiest and strongest nations of the earth; and the genius, the enterprise, and the industry of our people, endowed with the almost inexhaustible capital of her wonderful natural resources, will, if not impeded by unwise governmental interference, make her foremost among them all, before the dawn of another century. However we may differ as to tariff, taxation, or disposition of surplus revenue, let us never forget that genius, enterprise, industry, and capital, all combined, will be powerless to achieve and secure this pre-eminence if we again trammel them with a disordered, depreciated, and irredeemable currency.

JOHN I. MITCHELL.